

**TAFI INDUSTRIES BERHAD**  
(Company No. 640935-P)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2016**  
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.16	Preceding Year Corresponding Quarter 30.06.15	Current Year To Date 30.06.16	Preceding Year Corresponding Period 30.06.15
	RM'000	RM'000	RM'000	RM'000
Revenue	5,901	7,295	12,715	14,758
Cost of sales	(5,694)	(6,509)	(11,817)	(13,298)
Gross profit	<u>207</u>	<u>786</u>	<u>898</u>	<u>1,460</u>
Operating expenses	(1,674)	(1,015)	(3,286)	(2,931)
Other (Charges)/Income	30	97	(234)	639
Loss from operations	<u>(1,437)</u>	<u>(132)</u>	<u>(2,622)</u>	<u>(832)</u>
Interest income	41	65	62	135
Loss before taxation	<u>(1,396)</u>	<u>(67)</u>	<u>(2,560)</u>	<u>(697)</u>
Taxation	-	(23)	(5)	(38)
Loss for the period	<u>(1,396)</u>	<u>(90)</u>	<u>(2,565)</u>	<u>(735)</u>
<b>TOTAL COMPREHENSIVE EXPENSES</b>	<u><u>(1,396)</u></u>	<u><u>(90)</u></u>	<u><u>(2,565)</u></u>	<u><u>(735)</u></u>
Loss for the period attributable to :				
Owners of the Company	(1,396)	(90)	(2,565)	(735)
Non-controlling interests	-	-	-	-
	<u>(1,396)</u>	<u>(90)</u>	<u>(2,565)</u>	<u>(735)</u>
Total comprehensive Expenses attributable to:				
Owners of the Company	(1,396)	(90)	(2,565)	(735)
Non-controlling interests	-	-	-	-
	<u>(1,396)</u>	<u>(90)</u>	<u>(2,565)</u>	<u>(735)</u>
Loss per share (sen)				
- Basic	<u>(1.80)</u>	<u>(0.12)</u>	<u>(3.31)</u>	<u>(0.95)</u>
- Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Statements of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**TAFI INDUSTRIES BERHAD**  
(Company No. 640935-P)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**  
(The figures have not been audited)

	As At End Of Current Quarter 30.06.16	As At Preceding Financial Year Ended 31.12.2015 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	31,400	30,412
Prepaid lease payments on long leasehold land	970	989
Investment properties	5,189	5,189
Investment in associated company	1,752	1,752
Product Development Costs	1,473	548
Total non-current assets	<u>40,784</u>	<u>38,890</u>
<b>Current assets</b>		
Inventories	7,899	8,509
Trade and other receivables	6,532	5,611
Amount owing by associate company	5	2
Current tax assets	134	154
Short term and fixed deposits, cash and bank balances	10,862	10,645
	<u>25,432</u>	<u>24,921</u>
<b>TOTAL ASSETS</b>	<b><u>66,216</u></b>	<b><u>63,811</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity - attributable to owners of the Company</b>		
Share capital	40,000	40,000
Share premium	2,809	2,809
Treasury shares, at cost	(1,041)	(1,041)
Retained earnings	14,120	16,685
<b>Total equity</b>	<u>55,888</u>	<u>58,453</u>
<b>Non-current liability</b>		
Deferred tax liability	197	197
<b>Current liabilities</b>		
Trade and other payables	5,745	5,160
Term Loan	4,461	-
Current tax liabilities	(75)	1
	<u>10,131</u>	<u>5,161</u>
<b>Total liabilities</b>	<u>10,328</u>	<u>5,358</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>66,216</u></b>	<b><u>63,811</u></b>
Net assets per share attributable to owners of the Company (RM)	0.72	0.75

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**TAFI INDUSTRIES BERHAD**  
(Company No. 640935-P)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 30 JUNE 2016**  
(The figures have not been audited)

	Current Financial period ended 30.06.16	Preceding Year Corresponding Period 30.06.15
	RM'000	RM'000
<b>Cash flows (used in)/from operating activities</b>		
Loss before tax	(2,560)	(697)
Adjustments for:		
Non-cash & non-operating items	1,230	587
Operating (loss) before working capital changes	<u>(1,330)</u>	<u>(110)</u>
(Increase) / Decrease in working capital		
Inventories	610	353
Trade and other receivables	(1,179)	221
Trade and other payables	841	189
	<u>                    </u>	<u>                    </u>
Cash (used in)/generated from operations	(1,058)	653
Income tax paid	(61)	(84)
Interest paid	(38)	-
<b>Net cash (used in)/from operating activities</b>	<u>(1,157)</u>	<u>569</u>
<b>Cash flows (used in)/from investing activities</b>		
Proceeds from disposal of property, plant and equipment	-	312
Purchase of property, plant and equipment	(2,128)	(5,007)
Product Development costs	(1,022)	(420)
Interest received	63	135
	<u>                    </u>	<u>                    </u>
<b>Net cash used in investing activities</b>	<u>(3,087)</u>	<u>(4,980)</u>
<b>Cash flows from/(used in) financing activities</b>		
Term Loan	4,461	-
	<u>                    </u>	<u>                    </u>
<b>Net cash from financing activities</b>	<u>4,461</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	217	(4,411)
Cash and cash equivalents at beginning of period	9,629	15,115
Cash and cash equivalents at end of the period	<u>9,846</u>	<u>10,704</u>
<b>Cash and cash equivalents at end of the period comprise:</b>		
Cash and bank balances	2,447	5,608
Deposits in the licensed bank	8,415	6,112
	<u>10,862</u>	<u>11,720</u>
Less : Fixed deposits pledged to licensed bank	(1,016)	(1,016)
	<u>9,846</u>	<u>10,704</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**TAFI INDUSTRIES BERHAD**  
**(Company No. 640935-P)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 30 JUNE 2016**  
**(The figures have not been audited)**

	<b>Attributable to owners of the Company</b>					<b>Total Equity</b>
	<b>Non-Distributable</b>			<b>Distributable</b>		
	Share Capital	Share Premium	Fair Value Reserve	Treasury Shares	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	40,000	2,809	-	(1,041)	17,258	59,026
Loss for the year	-	-	-	-	(573)	(573)
At 31 December 2015	<u>40,000</u>	<u>2,809</u>	<u>-</u>	<u>(1,041)</u>	<u>16,685</u>	<u>58,453</u>
At 1 January 2016	40,000	2,809	-	(1,041)	16,685	58,453
Loss for the period	-	-	-	-	(2,565)	(2,565)
At 30 JUNE 2016	<u>40,000</u>	<u>2,809</u>	<u>-</u>	<u>(1,041)</u>	<u>14,120</u>	<u>55,888</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **PART A : EXPLANATORY NOTES AS PER FRS 134**

#### **A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

#### **A2. Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

The adoption of the following amendments to the existing standards do not have any significant impact to the interim financial information of the Group.

MFRS 14	Regulatory Deferral Accounts <sup>1</sup>
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to MFRS 101	Disclosure Initiative <sup>1</sup>
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plant <sup>1</sup>
Amendments to MFRS 127	Equity Method in Separate Financial Statements <sup>1</sup>

#### **Malaysian Financial Reporting Standards ("MFRSs") and IC Interpretations ("IC Int.") Issued but Not Effective**

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments <sup>2</sup>
MFRS 15	Revenue from Contracts with Customers <sup>2</sup>
MFRS 16	Leases <sup>5</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to MFRS 107	Disclosure Initiative <sup>4</sup>
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective date of the Amendments which was originally for annual periods beginning on or after 1 January 2016, have been deferred to a date to be announced by the MASB.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

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<sup>5</sup> Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided MFRS 15 is also applied.

**A3. Qualification of Annual Financial Statements**

There has not been any qualification made by the auditors on the annual financial statements of the Group for the year ended 31 December 2015.

**A4. Seasonal and Cyclical Factors**

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

**A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year to date.

**A6. Material Changes in Estimates**

There were no changes in accounting estimates that have a material effect on the results for the current quarter and financial year to date.

**A7. Issuances and repayment of debt and equity securities**

There were no issuances, repurchases of shares for the current quarter under review. As at 30 June 2016, the number of treasury shares held was 2,540,500 ordinary shares.

**A8. Dividend Paid**

No dividend has been paid for the financial year to date.

**A9. Segmental Reporting**

No segment analysis is prepared as the Group is involved in a single industry segment relating to the manufacturing and marketing of furniture products. The operation of the Group is carried out entirely in Malaysia.

**A10. Valuation of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment by the subsidiary companies for the current quarter and financial year to date.

**A11. Subsequent Events**

There were no material events subsequent to the end of the current quarter under review.

**A12. Change in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year to date.

**A13. Changes in Contingent Liabilities**

As at 30 June 2016, a subsidiary company had credit facilities amounting to RM6,700,000 from local financial institutions which were guaranteed by the Company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company.

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**A14. Capital Commitments**

Purchase of property, plant and equipment	As at 30.06.2016 RM'000
Approved and contracted for	<u>88</u>

**A15. Derivative Financial Asset/Liability**

There were no outstanding forward foreign exchange contracts outstanding as at 30 June 2016.

Forward foreign exchange contract are entered into with licensed bank to hedge part of the Group's sales from exchange rate movements. As the exchange rate are pre-determined under such contracts, the Group is not exposed to any market risk. Given that the contracts are entered into with the licensed bank, we are of the view that the credit risk is minimal.

**A16. Related party transactions**

Related parties are those defined under MFRS124 : Related Party Disclosures. The directors are of the opinion that the related party transactions described below were carried out in the ordinary course of business and on commercial terms that are no more favorable than those available to other third parties.

	Current year to date 30.06.16 RM'000	Preceding year Corresponding Period 30.06.15 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Rental expense</u>		
Guan & Associates	<u>2</u>	<u>3</u>
<u>Professional fee</u>		
Macellent (Muar) Sdn Bhd	<u>5</u>	<u>9</u>

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**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA  
MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B1. Review of Performance**

The revenue and loss before tax recorded by the Group for the quarter was RM5,901,000 and RM1,396,000 respectively. This represents a decrease of RM1,394,000 in revenue or 19% lower than that of its corresponding quarter. The decrease was mainly due to the following :-

- The Group export sales had decreased by 21% and
- Local sales had increased by 2%

The Group incurred a loss before tax of RM1,396,000 in the quarter as compared to a loss before tax of RM67,000 in the previous corresponding quarter. The increase in loss was primarily due to the following :-

- Lower turnover ;
- Higher overheads and
- Reduction in other income

The Group recorded a decrease in revenue to RM12,715,000 against RM14,758,000 in the previous year mainly due to decrease on export sales. The registered loss before tax of RM2,560,000 against the loss of RM697,000 in the preceding year corresponding period was due to the following :-

- Higher overheads and
- Lower interest income

**B2. Variation of Results Against Preceding Quarter**

The Group registered a loss before tax for the current quarter ended 30 June 2016 of RM1,396,000 as compared to a loss before tax of RM1,164,000 in the previous quarter ended 31 March 2016. The loss was mainly attributed by the following:-

- Lower turnover and
- Higher overheads

**B3. Commentary on Prospects**

The Group shall see through its investments and envisaged that these investments would contribute positively to the performance of the Group in the longer term although the incubation period for these investments has taken much longer than expected due to the current challenging operating environment.

**B4. Variance of Actual and Forecast Profit**

Not applicable



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**B5. Taxation**

	Current Year Quarter 30.06.16 RM'000	Current Year To Date 30.06.16 RM'000
Income tax	-	5

The effective tax rate differs from the statutory tax rate for the current year to date due to certain income of the holding company which cannot be offset for tax purposes.

**B6. Status of Corporate Proposal**

There is no corporate proposal announced for the current quarter under review.

**B7. Group Borrowing and Debt Securities**

Details of the Group's borrowings as of 30 June 2016 was as follows :-

	RM'000
Term Loan	<u>4,461</u>

**B8. Gains/Losses arising from fair value changes of financial assets/liabilities**

The Group does not have any financial instruments at the end of reporting period.

**B9. Material Litigation**

The Group does not have any material litigation as at the date of this report.

**B10. Dividend Payable**

No dividend has been declared for the current quarter under review.

**B11. Basis of Calculation of Earnings/(Loss) Per Share**

The basic loss per share for the quarter and financial period ended 30 June 2016 is computed as follow:

	Individual Current Year Quarter 30.06.16	Cumulative Current Year To Date 30.06.16
Loss attributable to owners of Company (RM'000)	<u>(1,396)</u>	<u>(2,565)</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>77,460</u>	<u>77,460</u>
Basic Loss Per Share based on weighted average number of ordinary shares of RM0.50 each in issue (sen)	<u>(1.80)</u>	<u>(3.31)</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

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**B12. Disclosure of realised and unrealised profits**

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Bhd (“Bursa Malaysia”) on 25 March 2010, is as follows:

	As at 30.06.16 (RM'000)	As at 30.06.15 (RM'000)
Total retained earnings of the Group		
- Realised	14,457	16,804
- Unrealised	(337)	(281)
As per consolidated accounts	14,120	16,523

**B13. Additional Disclosure on loss for the period**

	Current Quarter Ended 30.06.16 (RM'000)	Financial Period Ended 30.06.16 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		
Interest income	(41)	(62)
Interest expenses	38	38
Depreciation of property, plant and equipment	471	1,139
Amortisation of prepaid lease payments	10	19
Amortisation of intangible asset	48	97
Realised loss on foreign exchange	77	133
Unrealised (gain)/loss on foreign exchange	(81)	140

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items for the current quarter and period ended 30 June 2016.

By order of the Board  
TAFI Industries Berhad

Dato' Saw Eng Guan  
Executive Chairman

29 August 2016